

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name MAYVILLE AREA AMBULANCE	County TUSCOLA
Audit Date 12/31/04	Opinion Date 2/11/05	Date Accountant Report Submitted to State: 5/17/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

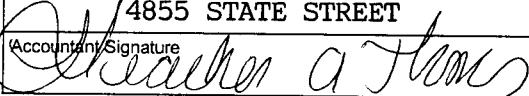
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) GARDNER, PROVENZANO, SCHAUMAN & THOMAS, P.C.			
Street Address 4855 STATE STREET		City SAGINAW	State MI
Accountant Signature 		ZIP 48603	Date 5/17/05
HEATHER A. THOMAS, CPA			

MAYVILLE AREA AMBULANCE SERVICE
BOARD OF DIRECTORS

Ronald Gromak	President
William Hamilton	Vice President
Kathleen Tomlinson	Secretary
Glenn Fox	Director

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Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

February 11, 2005

To the Board of Directors
Mayville Area Ambulance Service
Mayville, Michigan

We have audited the accompanying financial statements of the business-type activities of the Mayville Area Ambulance Service as of and for the years ended December 31, 2004, and 2003, which comprise the organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mayville Area Ambulance Service's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with the standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Mayville Area Ambulance Service as of December 31, 2004, and 2003, and the changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America and with applicable rules and regulations of the State Treasurer.

To the Board of Directors
Mayville Area Ambulance Service
February 11, 2005
Page Two

As described in the notes to the financial statements, Mayville Area Ambulance Service adopted the provisions of Government Accounting Standards Board No.34 as of January 1, 2004. This results in a change to Mayville Area Ambulance Service's format of the basic financial statements.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Gardner, Provenzano, Schaumman & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION & ANALYSIS

MAYVILLE AREA AMBULANCE SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Introduction

This section of the annual financial report presents management's discussion and analysis of Mayville Area Ambulance Service's financial results for the fiscal year ended December 31, 2004. Please read this along with the financial statements that follow for a comprehensive understanding of the financial position of the Mayville Area Ambulance Service.

For accounting purposes, Mayville Area Ambulance Service uses only one fund. The fund is a business-type enterprise fund that applies the full accrual basis of accounting. Hence, unlike most governmental units, Mayville Area Ambulance Service reports its financial information only in the full accrual format. The audited financial activities of Mayville Area Ambulance Service are presented herein. These statements include:

Statements of Fund Net Assets
Statements of Revenues, Expenses, and Changes in Net Assets
Statements of Cash Flows

Along with the financial statements are the footnote disclosures.

Condensed Financial Statements and Analysis and Discussion of Significant Transactions

The following are condensed government wide financial statements for fiscal year 2004 and 2003 for Mayville Area Ambulance Service.

Table One – Net Assets

	2004	2003
Assets		
Current assets	\$ 136,297	\$ 119,499
Capital assets	412,997	440,715
Total Assets	<u>\$ 549,294</u>	<u>\$ 560,214</u>
Liabilities		
Current liabilities	\$ 44,946	\$ 25,112
Noncurrent liabilities	145,192	160,203
Total Liabilities	<u>190,138</u>	<u>185,315</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 252,794	\$ 266,326
Unrestricted	106,362	108,573
Total Net Assets	<u>\$ 359,156</u>	<u>\$ 374,899</u>

MAYVILLE AREA AMBULANCE SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**Condensed Financial Statements and Analysis and Discussion of
Significant Transactions (cont.)**

Table Two – Changes in Net Assets

	2004	2003
Revenue		
Service calls	\$ 126,573	\$ 128,153
Contract fees	13,289	13,290
Other	2,671	3,781
Total Revenues	<u>142,533</u>	<u>145,224</u>
Expenses		
Advance life support	32,490	22,568
Ambulance	11,586	7,455
Garage and office	27,379	27,557
Attendant	49,841	47,198
Depreciation	27,718	18,869
Interest	9,262	5,105
Total Expenses	<u>158,276</u>	<u>128,752</u>
Change in Net Assets	<u>\$ (15,743)</u>	<u>\$ 16,472</u>

The net assets of the Mayville Area Ambulance Service decreased this year by \$15,743. During 2004, the MAAS saw an approximate 20% decrease in billable service calls. These decreases in turn lead to a decrease in revenue. Furthermore, with the construction of our new facility in 2003, we have noted a marked increase in utilities, which we are attempting to mitigate. On a positive note, we had increase in staff in 2004, which helped to cover operations – but, in turn caused increases in payroll and other expenses, accordingly.

MAYVILLE AREA AMBULANCE SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets and Long-Term Debt

Following is a summary of capital assets and accumulated depreciation for the fiscal year 2004 and 2003.

	2004	2003
Ambulance	\$ 72,300	\$ 72,300
Office equipment	18,895	18,895
Furniture	4,222	4,222
Garage	4,000	4,000
Building	385,986	385,986
	<u>485,403</u>	<u>485,403</u>
Less: Accumulated depreciation	(72,406)	(44,688)
Total	<u>\$ 412,997</u>	<u>440,715</u>

The capital assets of Mayville Area Ambulance Service consist of a building, a garage, an ambulance, and furniture and equipment. Currently, there are no plans for future capital asset purchases.

The Mayville Area Ambulance Service has outstanding long-term debt of \$160,203 related to the construction of the building. Currently, there are no plans to incur any additional debt.

Currently Known Facts, Decisions, or Conditions Expected to Have a Significant Effect

For 2005, the MAAS has made changes that should positively affect our financial position. MAAS has negotiated a new contract for Advanced Life Support (ALS) services with our largest ALS provider. This change will help to reduce the liabilities for ALS, as we will be billing fewer ALS claims jointly. We are also in the process of negotiating the same change with our second largest ALS provider.

Also for 2005, the Board of Directors approved a major increase to the Treat and Release fee. The change came after research discovered that in most instances, the MAAS was taking a loss, albeit a small one, on Treat and Release services.

This change should effectively eliminate those losses.

Additionally, 2005 has already shown an increase in service calls – a trend that we expect will continue. This increase should be reflected in revenue for 2005 – as it is the most important influence to revenue of the MAAS.

MAYVILLE AREA AMBULANCE SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Requests for Information

This report is designed to provide our stakeholders and taxpayers with a general overview of the Mayville Area Ambulance Service's finances. If you have questions about this report or need additional information, contact Mayville Area Ambulance Service, 5802 Lynch Drive, Mayville, Michigan 48744.

FINANCIAL STATEMENTS

MAYVILLE AREA AMBULANCE SERVICE
STATEMENTS OF NET ASSETS
DECEMBER 31, 2004, AND 2003

	<u>2004</u>	<u>2003</u>
Current Assets		
Cash	\$ 1,514	\$ 16,724
Certificates of deposit	44,736	44,445
Accounts receivable	90,047	58,330
Total Current Assets	<u>136,297</u>	<u>119,499</u>
Noncurrent Assets		
Capital assets	485,403	485,403
Accumulated depreciation	(72,406)	(44,688)
Total Capital Assets	<u>412,997</u>	<u>440,715</u>
Total Assets	<u>\$ 549,294</u>	<u>\$ 560,214</u>
Liabilities		
Current Liabilities		
Accrued wages	\$ 5,897	\$ 5,992
Accounts payable	18,901	-
Payroll taxes payable	840	637
Deferred revenue	4,297	4,297
Noncurrent Liabilities		
Long-term debt, due in one year	15,011	14,186
Long-term debt, due in more than one year	145,192	160,203
Total Liabilities	<u>190,138</u>	<u>185,315</u>
Net Assets		
Invested in capital assets, net of related debt	252,794	266,326
Unrestricted	106,362	108,573
Total Net Assets	<u>359,156</u>	<u>374,899</u>
Total Liabilities and Net Assets	<u>\$ 549,294</u>	<u>\$ 560,214</u>

The accompanying notes are an integral part of these financial statements.

MAYVILLE AREA AMBULANCE SERVICE
STATEMENTS OF REVENUE, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Revenue		
Service calls, net of service contract adjustments of \$64,472 and \$112,935, respectively	\$ 126,573	\$ 128,153
Contract fees	13,289	13,290
Memorials and donations	2,290	2,903
Miscellaneous	20	16
Total Revenue	<u>142,172</u>	<u>144,362</u>
Expenses		
Advance life support	32,490	22,568
Ambulance	5,328	2,486
Radio	97	65
Insurance	7,478	9,425
Medical supplies	5,881	4,744
Garage	7,796	6,119
Office expense	10,409	11,200
Training and licensing	3,623	1,692
Attendant expense	3,631	3,299
Wages	39,573	39,191
Payroll taxes	3,014	3,016
Miscellaneous	280	160
Bank Charges	236	383
Professional Services	1,460	430
Depreciation	27,718	18,869
Total Expenses	<u>149,014</u>	<u>123,647</u>
Operating income (loss)	(6,842)	20,715
Non-operating revenue expense		
Interest revenue	361	862
Interest expense	(9,262)	(5,105)
Total non-operating revenue (expenses)	<u>(8,901)</u>	<u>(4,243)</u>
Change in Net Assets	(15,743)	16,472
Net Assets, Beginning	<u>374,899</u>	<u>358,427</u>
Net Assets, Ending	<u>\$ 359,156</u>	<u>\$ 374,899</u>

The accompanying notes are an integral part of these financial statements.

MAYVILLE AREA AMBULANCE SERVICE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004, AND 2003

	2004	2003
Cash flows from operating activity:		
Cash received from clients	\$ 94,856	\$ 143,860
Cash received from other governments	13,479	13,290
Cash received from public	2,130	2,903
Cash payments to employees	(39,873)	(43,075)
Cash payments fro suppliers for goods and services	(62,424)	(116,718)
Net cash provided (used) by operating activities	<u>8,168</u>	<u>260</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	(273,383)
Principal payments	(14,186)	(5,611)
Interest payments	(9,262)	(5,105)
Net cash provided (used) by financing activities	<u>(23,448)</u>	<u>(284,099)</u>
Cash flows from investing activities:		
Interest received	361	878
Proceeds from issuance of debt	-	180,000
Sale (purchase) of investments	(291)	99,564
Net cash provided (used) by investing activities	<u>70</u>	<u>280,442</u>
Net increase (decrease) in cash and cash equivalents	(15,210)	(3,397)
Cash and cash equivalents, beginning	16,724	20,121
Cash and cash equivalents, ending	<u>\$ 1,514</u>	<u>\$ 16,724</u>
Reconciliation of operating Income (loss) to net cash provided by operating activities:		
Operating income (loss)	(6,842)	20,715
Adjustment:		
Deprecation	27,718	18,869
Decrease (increase) in assets:		
Accounts receivable	(31,717)	15,706
Increase (decrease) in liabilities:		
Accrued wages	(95)	(866)
Accounts payable	18,901	(54,179)
Payroll taxes	203	15
Net cash provided (used) by operating activities	<u>\$ 8,168</u>	<u>\$ 260</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

MAYVILLE AREA AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Description of Operations and Fund Type

The Mayville Area Ambulance Service was organized in 1975 for the purpose of providing efficient ambulance service to the Mayville, Michigan, area with minimal response time. The service operates under the direction of a Board of Directors with one representative appointed by each of the following member governmental units:

- a. Village of Mayville
- b. Fremont Township
- c. Dayton Township
- d. Rich Township

The primary revenue source is service call charges. In addition, the Ambulance Service has entered into reduced rate agreements with each of the four above listed member governmental units.

The Mayville Area Ambulance Service is not included in any other governmental "reporting entity" as defined in Section 2100, **Codification of Governmental Accounting and Financial Reporting Standards**, since the Board members have decision making authority, have power to designate management, have responsibility to significantly influence operations and have primary accountability over financial matters. The Board applies all relevant Government Accounting Standards (GASB) pronouncements. The Mayville Area Ambulance Service applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

In June 1999, the GASB approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

Significant changes in the Statement that affect the Organization's reporting include:

- A Management Discussion and Analysis section of the Organization's overall financial position and results of operations.

NOTE 2--Summary of Significant Accounting Policies

Basis of Accounting

The accounting policies of the Mayville Area Ambulance Service conform to U.S. generally accepted accounting principles as applicable to proprietary funds. The accrual basis of accounting is followed; thus revenues are recorded when earned and expenses are recognized when the related liability is incurred.

MAYVILLE AREA AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivables are recognized when the services have been provided. The balance shown is due from services billed, but not collected as of December 31, 2004.

Capital Assets and Depreciation

Capital Assets are recorded at cost. Provisions for depreciation are computed on the straight-line method at rates designed to amortize the cost of the assets based on their estimated useful lives.

Ambulance	5 years
Office equipment and furniture	3-5 years
Building and garage	40 years

A summary of the changes in capital assets is as follows:

Description	Balance 12/31/2003	Additions	Deletions	Balance 12/31/2004
Ambulance	\$ 72,300	\$ -	\$ -	\$ 72,300
Office equipment	18,895	-	-	18,895
Furniture	4,222	-	-	4,222
Garage	4,000	-	-	4,000
Building	385,986	-	-	385,986
	<u>485,403</u>	<u>-</u>	<u>-</u>	<u>485,403</u>
Less: Accumulated depreciation	(44,688)	(27,718)	-	(72,406)
Total	<u>\$ 440,715</u>	<u>\$ (27,718)</u>	<u>\$ -</u>	<u>\$ 412,997</u>

Cash Equivalents

For the purpose of the statement of cash flows, the Mayville Area Ambulance considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

Non-current Debt

Non-current debt consists of a mortgage on the Ambulance building

MAYVILLE AREA AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Summary of Significant Accounting Policies (continued)

Contract Service Adjustments and Bad Debts

It is the policy of the Mayville Area Ambulance to recognize service call revenue net of service contract adjustments based upon actual collections.

Accounts Payable

Expenditures are recognized as accounts payable when the liability has been incurred. The balance of accounts payable is due to vendors at December 31, 2004.

Deferred Revenue

The balance shown is from amounts paid for service contracts in advance from participating governmental units.

NOTE 3--Cash

The Mayville Area Ambulance is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The Mayville Area Ambulance is also authorized to invest in the following:

- a. direct bonds and obligations of the U.S. or agency or instrumentality.
- b. CD's, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency,
- c. commercial paper - within three highest rate classifications by at least two rating services, maturing not later than 270 days. Not more than 50% of any fund may be invested in commercial paper at anytime,
- d. U.S. or agency repurchase agreements,
- e. bankers' acceptance of U.S. banks, and
- f. mutual funds - investments which local unit can make directly.

A summary of cash and investments follow:

	Total	Insured	Collateralized	Uncollateralized
Cash	\$ 2,794	\$ 2,794		
Investments	44,736	44,736	-	-
	<u>\$ 47,530</u>	<u>\$ 47,530</u>	<u>\$ -</u>	<u>\$ -</u>

MAYVILLE AREA AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Income Tax

The Internal Revenue Service has determined that the Mayville Area Ambulance Service is exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code.

NOTE 5--Risk Management

The Mayville Area Ambulance Service is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2004, the Mayville Area Ambulance Service carried commercial insurance for the above listed risks of loss. In addition, MAAS participated in the Michigan Association of Ambulance Services Self Insured Workers' Compensation Fund, a public entity risk pool currently operating as a workers' compensation risk management program for 29 ambulance services in the State of Michigan. The Mayville Area Ambulance Service pays a monthly premium to the pool for its coverage. The pool is self-sustaining through member premiums.

NOTE 6--Long-Term Debt

Long-term obligations are as follows:

Mortgage, 5.5% per annum

with 59 monthly payments of \$ 1,956 including
interest, secured by land and building. A final
payment of \$104,243 is due June 30, 2008

\$ 160,203

	Balance 12/31/03	Additions	Retirements	Balance 12/31/04	Current Portion
Mortgage	<u>\$ 174,389</u>	<u>\$ -</u>	<u>\$ 14,186</u>	<u>\$ 160,203</u>	<u>\$ 15,011</u>

The annual requirements for principal and interest are as follows

Year Ended December 30,	Principal	Interest	Total
2005	15,011	8,437	23,448
2006	15,857	7,591	23,448
2007	16,752	6,696	23,448
2008	112,583	18,443	131,026
	<u>\$ 160,203</u>	<u>\$ 41,167</u>	<u>\$ 201,370</u>

MAYVILLE AREA AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS

NOTE 7--GASB Pronouncements Adoption and Restatement

As of and for the year ended December 31, 2004, the Ambulance Service implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- *No.34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- *No.37 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- *No.38 – Certain Financial Statement Note Disclosures*

Interpretations

- *No.6 – Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*